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TAGS: [ECON](#) [EFIN](#) [PREL](#) [KCOR](#) [PINR](#) [SOCI](#) [XL](#) [JM](#)
SUBJECT: JAMAICA: FALL OF OLINT INVESTMENT SCHEME COULD
SEND RIPPLES THROUGH THE ECONOMY

REF: A. KINGSTON 365
[1](#)B. KINGSTON 328
[1](#)C. KINGSTON 005
[1](#)D. 07 KINGSTON 1749

Classified By: Nathan Carter for reasons 1.4 (b) and (d)

Summary

[1](#)1. (C) Following in the path of several other alternative investment schemes (Cash Plus, CAREIF, World Wise, see reftels), foreign currency trader Olint appears to have collapsed. Led by CEO David Smith, Olint built a strong following in Jamaica promising returns of ten percent per month. Unlike other schemes on the island Olint appealed to more sophisticated investors. It was subject to a cease and desist order by the Financial Services Commission (FSC) in late 2006 which also led to months of court battles with the National Commercial Bank (NCB) which had sought to close Olint's accounts. Smith moved his operations to Turks and Caicos in March 2006 although bank accounts remained with NCB. Olint's offices and Smith's home were subject to a raid by police in Turks and Caicos on July 11. Press reports indicated that Smith's assets were frozen and that he is under investigation for possible financial crimes, although no charges have been filed. Many investors have not received monthly payouts since the beginning of the year. Although Jamaica has weathered the collapse of previous schemes, the demise of Olint could cause a negative ripple effect through the already weakened economy. END SUMMARY

Losses Could Affect Larger Economy

[1](#)2. (C) Dennis Cohen, Deputy Group Managing Director at NCB, expressed concerns about the collapse of Olint, saying it could hurt the overall economy. (COMMENT: Jamaica is already reeling from rising food and energy prices which have hurt growth prospects for the coming year, END COMMENT). Cohen told Econoff on July 21 that NCB had filed documents with the court stating that despite public perception that there is between USD 50 to 200 million in Olint's accounts in fact there are virtually no funds left. Cohen said the courts have sealed the documents because it is concerned it could create a panic if investors were aware that there is no money in Olint's accounts. Econoff has spoken to many contacts in the private sector and Government of Jamaica (GOJ) who had money in Olint. Some investors recognized that it was a high risk currency trading scheme, but the common opinion seemed to be that Smith had a legitimate financial background and a proven system for currency trading. This perception may have given investors a false sense of security. The press has reported that a number of high-ranking politicians from both major political parties

are among Olint's investors.

¶3. (C) Cohen said he knows of one investor who had more than USD 4 million in Olint, other business owners had put their working capital with Olint as a way to boost revenue. He suggested that the collapse of Olint could severely hurt some local businesses and would certainly reduce consumer spending. Cohen said there are a number of Jamaicans who already have spent the high yield returns they thought they were getting from Olint. When they are no longer able to access their funds, it will lead to defaults on car and mortgage payments. Cohen's concerns have been expressed by others. Andrew Issa, a realtor who owns the Coldwell Banker franchise in Jamaica, told Econoff that he expects real estate prices to fall 10 to 12 percent because of the collapse of investment schemes on the island. Issa said he already has seen contracts being rescinded by people who lost money in the various schemes.

¶4. (C) The CEO of International Asset Services told Econoff on July 18 that he has received a significant number of requests for bridge loans from those who could no longer access their funds in Olint. Smith has made public promises that he will make payments to investors within nine months. There is still no firm figure of how much money was invested in Olint; estimates range anywhere from USD 200 million to as much as USD 750 million. As was discovered with other schemes that already have collapsed, these figures are often wildly inflated. Olint's amount could be higher than other schemes, since it appealed to more wealthy and sophisticated investors.

¶5. (C) Cohen said members of NCB's staff, including renowned investment banker and Chairman of NCB, Michael Lee Chin, were receiving threats from those who blame NCB for Olint's troubles. The same situation occurred in December 2007, when NCB was blamed by investors who lost money in the now failed ponzi scheme Cash Plus. Prime Minister Bruce Golding told the Ambassador on July 20 that Michael Lee Chin had canceled an upcoming trip to Jamaica because of threats to shoot down his helicopter. After several court battles, NCB was ordered by the Court of Appeals on July 18 to keep Olint's accounts open. Justice Seymour Paton ruled the bank lacked the power to close the accounts since "there is no evidence of any proven illegal transactions in respect of conduct of operation of accounts."

GOJ Downplays Risks to Economy

¶6. (C) The GOJ has warned investors for months of the inherent risks of putting money in unregulated alternative investments schemes. The GOJ ordered several investment schemes to come into compliance by registering with the FSC in December 2007. Most of the schemes collapsed soon after including the now infamous Cash Plus (reftels). Olint was able to continue through legal loopholes, but opted to move its headquarters to Turks and Caicos. Minister of Finance Audley Shaw told Ambassador Johnson on July 16 that Olint failed to come into compliance "which speaks volumes about the nature of Olint, if a financial company is legitimate why would they refuse to come into compliance instead of moving off island? It does not make sense." Shaw said that a Bank of Jamaica report indicates there is "no threat to the macro-economic position because of Olint's collapse."

¶7. (C) Shaw also said the FSC has found a candidate to be the executive director of the FSC (Bryan Winter stepped down from the post in December 2007). The unnamed candidate is an attorney of Jamaican decent who worked in regulatory affairs at Citibank in New York. Shaw said he wants to act decisively in strengthening the legal framework of the FSC to be able to act more quickly when the next Olint type of scheme emerges.

Is A Perfect Economic Storm Brewing?

18. (C) Despite Shaw's confidence in the resilience of the Jamaican economy, Keith Collister, a respected financial analyst for the Gleaner newspaper, wrote on Sunday July 20: "the principle short-term threat to the economy...is the collapse of Jamaica's high interest investment schemes...an impact that is likely to last several quarters..." Dennis Chung, an accountant with a column at the Observer newspaper, wrote on July 18 that Jamaica is preparing for "a perfect economic storm," blaming years of political mismanagement and corruption, rising oil and food prices, increasing crime rates, and the failure of alternative investment schemes which will have a negative impact on consumer spending particularly in the motor vehicle and motor vehicle sectors."

COMMENT

19. (C) The GOJ's strategy for addressing the collapse of other investment funds has been to draw out the process slowly, "like letting air out of balloon" said Shaw. The GOJ does not want to create panic, and will let the investigation of Olint in Turks and Caicos run its course. NCB's Cohen said he thinks the investigation in Turks and Caicos will take at least three months. Meanwhile, legal battles in the courts regarding Olint's activities are likely to continue. The collapse of Olint is the latest in a string of negative waves to hit the Jamaican economy; it is still too early to tell how serious of an impact Olint's demise will be on macro-economic and security conditions.

JOHNSON